



Memorandum

TO: RULES COMMITTEE

FROM: Mayor Chuck Reed
Councilmember Sam Liccardo

SUBJECT: HIGH RISE INCENTIVE

DATE: January 31, 2013

APPROVED:  1-31-13

RECOMMENDATION

- 1) Approve the clarification of the word “permit” within the meaning of SJMC 4.46.036 and SJMC 4.47.089, to include “demolition permit” within that definition, so long as the applicant has already:
 - a. Filed a complete application for a development permit by Oct 31, 2013, and
 - b. Applied for a building permit for the demolition by the December 31, 2013, and
 - c. Applied for a Building Permit for the high rise building by June 30, 2013, and
 - d. Obtained a building permit for the high rise building by no later than December 31, 2014.
- 2) Approve extension of the high rise incentive program timeline so that the developer must obtain a certificate of occupancy for the high rise building by August 31, 2016.

BACKGROUND

As we consider any modification of this incentive policy, it seems worthwhile to consider the original purpose of the incentive. Currently, San José enjoys a window of resurgent interest in high-rise development. Until San José announced its high rise incentives in 2012, developers repeated a familiar message whenever they were asked about new tower construction: “we won’t build a high-rise product for a decade or more, because it’s too costly and risky to build.” The benefits of seeing additional towers rise from the ground before countervailing market timing closes that window seems obvious, when one considers the facts:

- A completed high-rise tower adds \$150 million or more in assessed value to the site, resulting in a substantial jump to the City’s tax rolls;
- Unlike any other form of housing development in San José, high-rises actually provide a net-positive impact on the City’s coffers;
- All of our collective ambitions for the revitalization of the Downtown hinge on our ability to bring thousands of more residents into the core; and
- High-rise housing construction in the Downtown constitutes the most environmentally sensitive means of accommodating San José’s substantial anticipated growth in population, resulting in a substantial net reduction in greenhouse gas emissions and vehicle-miles-travelled over any alternative.

To date, the high-rise incentive program appears to have worked effectively. We expect to see two high-rise towers break ground this year.

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Nonetheless, it remains the case that without the incentive, developers have indicated that they cannot make a project “pencil” sufficiently to attract the financing to begin construction. Downtown’s very high water table, low building height limits, and high costs make it a challenging high-rise market for a developer.

Additionally, several developers have sought to launch efforts to take advantage of the incentive, but circumstances beyond their control have slowed their plans. For example, Symphony Development attempted to purchase a site from the Successor Entity to the Redevelopment Agency, but a series of bureaucratic battles between the state and the City prevented the project from moving forward, and the land hadn’t been properly zoned to allow the high-rise development that everyone agreed should occur there.

This modification will allow developers, land owners, and investors the clarification and certainty they need to invest in our City.